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SUBJECT: NO EVIDENCE OF UP-FRONT RESIGNATIONS IN EGYPT'S
QIZ FACTORIES

Classified By: Minister-Counselor for Economic and Political Affairs
William R.Stewart for Reasons 1.4(d).

¶1. (C) Summary: Despite concerns expressed by international workers' rights organizations that factories in Egypt's Special Export Zones (SEZ) require workers to submit undated resignations as a pre-condition of employment, NGOs report that this practice is not prevalent in Egypt's Qualifying Industrial Zone (QIZ) program factories. We met recently with two reputable NGOs involved in Egyptian workers' rights issues - Africa Now and the Land Center for Human Rights - to discuss the issue. Both were aware of the practice, but said it is not prevalent in factories participating in the QIZ program - which permits duty free access to U.S. markets for some categories of goods manufactured in SEZs using a specified percentage (currently 10.5%) of Israeli produced components. Both NGOs said that labor conditions in Egypt's QIZ are among the best in Egypt, something they attribute to the scrutiny of U.S. and other Western buyers. We also recently visited three QIZ program factories, observed labor conditions to be quite good (septel), and saw no indications that factory management required employees to sign undated resignations. End summary.

¶2. (C) On November 3, we met with Mohamed Morad, Egypt/North Africa director for Africa Now, an international NGO that conducts ethical business practice audits for Western companies buying from factories located in Egypt's export-oriented business zones, especially QIZ factories. Morad has been with Africa Now since last February and was formerly a compliance director for a free zone textile factory. We discussed with Morad the concern raised by the International Confederation of Trade Unions (ICTU) in its last two reports that Egyptian special economic zone factories require employees to sign undated resignations (known in Egypt as Form 6, the Egyptian Social Insurance Program termination document submitted by employers to the GoE to evidence an employee's voluntary resignation) before beginning employment. The ICTU views the use of the undated resignations as a tactic to prevent employees from organizing. The allegation is cited by the International Labor Organization in its 2008 review of Egypt's compliance with the Right to Organize and Collective Bargaining Convention.

¶3. (C) According to Morad, while the use of up-front resignations is common in Egypt generally, it is not a problem in QIZ factories. He said that Africa Now has conducted 40 audits of export-oriented factories (not all participating in the QIZ program) in the last 3 months, and did not come across a single example of the use of up-front resignations. He said that while their audits found some correctable problems) limited instances of child labor, working hour violations, and the seizure of passports of

foreign workers) up-front resignations are not an issue in QIZ program factories. He said that labor conditions are generally very good in QIZ factories, especially compared to non-QIZ factories. He attributes this to the vigilance of Western buyers, who, Morad said, insist contractually, and through follow-up audits, that their suppliers maintain acceptable labor conditions. He also said QIZ factories are far more likely to have some form of labor organization than their non-QIZ counterparts, again because of the influence of Western buyers.

¶4. (C) On November 4, we met with Karim Saber of the Land Center for Human Rights, an Egyptian NGO focused on workers rights. He had a somewhat different perspective on the use of up-front resignations, offering that the use of the tactic was widespread in the three most recently established SEZs, but agreeing with Morad that it was not an issue in factories participating in the QIZ program. According to Saber, some factories in the three newly established SEZs - the Sixth of October City, Tenth of Ramadan, and Borg al Arab SEZs - require employees to sign undated resignations as a condition of employment. He estimated that as many as 50% of factory workers in these three SEZs may have submitted undated resignations as a condition of employment. According to Saber, these are not traditionally industrial areas and the "workers rights culture" is weak there. He added that the resignations are not necessarily a tool to combat unions, but are obtained by factory owners in order to simplify the process of dismissing workers in an economic downturn. He said that the practice is much less prevalent in other, older SEZs, including those in Ismailiya, Suez, Port Said and Mahalla. With respect to factories participating in the QIZ

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program - even in the three most recently established SEZs - he said he has seen no examples of the use of undated resignations. He attributes this to the fact that large Western buyers are active in QIZ factories and their presence keeps abusive labor practices) such as the up-front resignations - in check. He added that labor conditions in QIZ factories are "the best" in Egypt, while also expressing his view that conditions for most Egyptian factory workers are poor.

¶5. (SBU) In recent weeks, we also visited three QIZ factories - Velocity Apparelz in Ismailiya (in September), Swiss Garments and Oriental Weavers (on November 19), both in Sixth of October City (septel). In each factory, labor conditions appeared to be good, which is undoubtedly related to the frequent presence of inspectors from U.S. and European buyers. While we did not specifically ask factory management or workers about the up-front resignations, we received no indications that the up-front resignations were in use. In fact, factory management complained about the difficulties they faced in retaining trained workers. The managers told us that there is fierce competition between the QIZ factories to retain skilled workers, who they said move frequently between QIZ factories seeking higher wages.

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